

## EPA's Regulatory Train Wreck

With unemployment near nine percent and high energy prices, a bipartisan majority in the U.S. House of Representatives recently voted to stop EPA's backdoor energy tax.<sup>1</sup> Similarly, a bipartisan group of 61 Senators voted to end or roll back EPA's regulation of greenhouse gas emissions.<sup>2</sup> Although these votes are strong signals that Congress disapproves of President Obama's energy agenda, the backdoor energy tax is still being carried out by EPA and is only the beginning of EPA's regulatory train wreck that will increase energy prices, destroy jobs, and slow economic growth.

**EPA's Backdoor Energy Tax:** EPA is currently regulating new and modified stationary sources for greenhouse gas emissions under the Clean Air Act. This backdoor climate change regulation could increase the cost of gasoline and electricity by 50 percent.<sup>3</sup> It could also decrease private investment by \$75 billion per year and destroy 1.4 million jobs.<sup>4</sup>

**The Coal Tax:** EPA is considering re-categorizing coal ash as a hazardous substance.<sup>5</sup> This would greatly increase the cost of disposing coal ash and would eliminate it as an ingredient in common goods such as cement, drywall, kitchen counters, and even bowling balls. The Electric Power Research Institute estimates the cost of this regulation over the next two decades at \$77 billion – most of which would be passed along to consumers.<sup>6</sup>

**The Boiler Tax:** EPA recently finalized new Maximum Achievable Control Technology (MACT) standards for industrial and commercial boilers and heat processors.<sup>7</sup> This new rule will require the upgrade or replacement of 200,000 boilers located in factories, chemical facilities, hotels, schools, and churches around the country.<sup>8</sup> Initial analysis projects the rule will cost \$11 billion<sup>9</sup> in new capital costs and put at risk over 200,000 jobs across the country.<sup>10</sup>

**The Cement Tax:** In September 2010, EPA finalized new MACT standards for cement kilns. These stringent new regulations likely will force more than 15 percent of the nation's cement plants to close, costing 15,000 jobs and \$27 billion in lost GDP and increasing cement imports by 28 million tons.<sup>11</sup>

**The Utility Tax:** In March 2011, EPA issued new draft MACT standards for coal-burning power plants.<sup>12</sup> Additionally, in July 2010, EPA proposed a new Clean Air Transport Rule, which would increase regulatory requirements on many power plants in the East and Midwest.<sup>13</sup> Combined, these new rules could cost up to \$100 billion and eliminate up to 60 gigawatts of coal power – roughly 20 percent of nationwide coal-fired power capacity.<sup>14</sup>

**Job-Destroying Ozone Standards:** In 2010, EPA proposed ratcheting up air quality standards (NAAQS) for ground-level ozone for the third time in 14 years, even though many communities are still

unable to comply with standards set in 1997.<sup>15</sup> In addition to 7.3 million lost jobs, annual attainment costs and reduced GDP are estimated to total \$1.7 trillion by 2020 due to this proposed regulation.<sup>16</sup>

**New Emissions Regulations for Energy Producers:** Last year EPA announced it will propose new source performance standards for greenhouse gas emissions from power plants and refineries by the end of 2011.<sup>17</sup> These new regulations would impose significant new costs on energy producers and consumers while providing environmental benefits that are uncertain at best.<sup>18</sup>

**Costly New Water Intake Rules of Power Plants and Factories:** In March 2010, EPA proposed new Clean Water Act Section 316(b) water intake rules for more than 1,200 power plants and factories.<sup>19</sup> These regulations are expected to retire or eliminate more than 40 gigawatts of coal, oil steam, gas steam, and nuclear power and increase energy production costs by 25 percent – much of which would be passed onto consumers.<sup>20</sup>

With high unemployment and increasing energy prices, EPA's regulatory train wreck is certain to derail a fragile economic recovery.

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<sup>1</sup> Roll Call Vote on Final Passage of H.R. 910, U.S. House of Representatives, <http://clerk.house.gov/evs/2011/roll249.xml>

<sup>2</sup> Roll Call Votes on EPA Amendments, Senate Environment and Public Works Committee, <http://goo.gl/Hpyst>

<sup>3</sup> "Potential Impact of the EPA Endangerment Finding on Low Income Groups and Minorities," Affordable Power Alliance, March 2010, <http://www.affordablepoweralliance.org/LinkClick.aspx?fileticket=GBqH57mHH5w%3d&tabid=40>

<sup>4</sup> Testimony of Margo Thorning, Chief Economist, American Council for Capital Formation, to the Subcommittee on Energy and Power, Committee on Energy and Commerce, U.S. House of Representatives, February 9, 2011, <http://goo.gl/BeCj8>

<sup>5</sup> EPA, Proposed CCR Rule, <http://www.epa.gov/waste/nonhaz/industrial/special/fossil/ccr-rule/index.htm>

<sup>6</sup> Comments to EPA from the Electric Power Research Institute, November 18, 2010, <http://goo.gl/j63Yi>

<sup>7</sup> EPA Proposed Utility MACT Rule, EPA-HQ-OAR-2009-0234, EPA-HQ-OAR-2011-0044, March 16, 2011, <http://www.epa.gov/airquality/powerplanttoxics/pdfs/proposal.pdf>

<sup>8</sup> EPA, Emission Standards for Boilers, Process Heaters, and Commercial/Industrial Solid Waste Incinerators, <http://www.epa.gov/airquality/combustion/>

<sup>9</sup> Testimony of Donna Harman, President of American Forest and Paper Association, to the House Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending, March 9, 2011,

[http://www.afandpa.org/Temp/Newsreleases/Donna\\_Harman\\_Statement\\_EPA\\_Regulation\\_Hearing\\_030911\\_FINAL.PDF](http://www.afandpa.org/Temp/Newsreleases/Donna_Harman_Statement_EPA_Regulation_Hearing_030911_FINAL.PDF)

<sup>10</sup> The Economic Impact of Proposed EPA Boiler/Process Heater MACT Rule on Industrial, Commercial, and Institutional Boiler and Process Heater Operators," Council of Industrial Boiler Owners, August 2010,

[http://www.cibo.org/pubs/boilermact\\_jobsstudy.pdf](http://www.cibo.org/pubs/boilermact_jobsstudy.pdf)

<sup>11</sup> "Economic Impacts of Cement Industry Regulations: The Proposed Portland Cement NESHAP Rule," Bernard Weinstein, Maguire Energy Institute, Southern Methodist University, February 2010, [http://www.cox.smu.edu/c/document\\_library/get\\_file?p\\_1\\_id=68463&folderId=229433&name=DLFE-3104.pdf](http://www.cox.smu.edu/c/document_library/get_file?p_1_id=68463&folderId=229433&name=DLFE-3104.pdf)

<sup>12</sup> EPA, Air Toxics Standards for Utilities, March 16, 2011, <http://www.epa.gov/ttn/atw/utility/utilitypg.html>

<sup>13</sup> EPA, Air Transport Rule, <http://www.epa.gov/airtransport/actions.html>

<sup>14</sup> "Growth From Subtraction," Credit Suisse, September 23, 2010,

[http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore\\_id=b42de70d-b814-4410-831d-34b180846a19](http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=b42de70d-b814-4410-831d-34b180846a19)

<sup>15</sup> "EPA's Anti-Industrial Policy: Threatening Jobs and America's Manufacturing Base" U.S. Senate Environment and Public Works Minority Staff Report, [http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore\\_id=3ede3e93-813f-4449-97e6-0d6eb54fbc9e](http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=3ede3e93-813f-4449-97e6-0d6eb54fbc9e)

<sup>16</sup> "Economic Impacts of EPA's Proposed Ozone Standard," Manufacturing Alliance, September 2010, <http://www.mapi.net/Filepost/ER-707.pdf>

<sup>17</sup> "Settlement Agreements to Address Greenhouse Gas Emissions from Electric Generating Units and Refineries," EPA fact sheet, December 23, 2010, <http://www.epa.gov/airquality/pdfs/settlementfactsheet.pdf>

<sup>18</sup> American Petroleum Institute & National Petrochemical and Refiners Association's Comments on "Listening Sessions on Greenhouse Gas Standards for Fossil Fuel Fired Power Plants and Petroleum Refiners," Docket: EPA-HQOAR-2011-0089, March 18, 2011

<sup>19</sup> "Proposed Regulations to Establish Requirements for Cooling Water Intake Structures at Existing Facilities," EPA fact sheet, March 28, 2011, [http://water.epa.gov/lawsregs/lawsguidance/cwa/316b/upload/factsheet\\_proposed.pdf](http://water.epa.gov/lawsregs/lawsguidance/cwa/316b/upload/factsheet_proposed.pdf)

<sup>20</sup> "2010 Special Reliability Scenario Assessment: Resource Adequacy of Potential U.S. Environmental Regulations," North American Electric Reliability Corporation, October 2010, [http://www.nerc.com/files/EPA\\_Scenario\\_Final.pdf](http://www.nerc.com/files/EPA_Scenario_Final.pdf)